

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

REVIEW OF COMMUNITY DEVELOPMENT DEPARTMENT CODE ENFORCEMENT BUREAU - TOWING FEES

INTERNAL AUDIT REPORT SR650004-04

October 6, 2004



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Councilman Theron Jackson
Chairman, Shreveport City Council

Dear Councilman Jackson:

Subject: IAR 650004-04 - Review of the Community Development Department, Code
Enforcement Bureau - Towing Fees

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

jm

**EXECUTIVE SUMMARY
REVIEW OF
COMMUNITY DEVELOPMENT DEPARTMENT
CODE ENFORCEMENT BUREAU - TOWING FEES
INTERNAL AUDIT REPORT (IAR) SR650004-04**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire audit report.

INTRODUCTION

Pursuant to Section 38-111(4)(a)(3) of the Code of Ordinances of the City of Shreveport, certain non-operating motor vehicles found abandoned or otherwise in violation of the cited statute may be removed from their location at the direction of Administration officials. When such actions take place, property owners (where vehicles are seized) may become responsible for the associated costs of towing.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented.

<i>Risk Levels</i>	<i>Recommendations</i>
High Risk Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	<ul style="list-style-type: none">• Implement viable guidelines to assist in recouping fees assessed. Assign responsibility for collecting delinquent accounts. Coordinate implementation of viable collection efforts on delinquent accounts. (Finding 1)
Medium Risk Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	<ul style="list-style-type: none">• Maintain accurate historical data on all vehicle removal actions. (Finding 2)

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FINDINGS

Risk Factor

1. Ineffective Towing Cost Recoupment Efforts	4
a. No delinquent account collections	High
b. Minimal recoupments recorded	High
c. No follow-up actions taken on fees assessed	High
2. Unreliable Historical Data	5
a. Records missing or incomplete	Medium
b. Loss of visibility over accounts receivable	Medium
3. Management Uninformed Regarding Expenditures Incurred	6
a. Inability to evaluate program effectiveness	Low
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**REVIEW OF THE
COMMUNITY DEVELOPMENT DEPARTMENT
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OBJECTIVE

We have completed a review and evaluation of procedures employed by the Code Enforcement Bureau pertaining to the assessment and recoupment of expenses incurred resulting from removal of abandoned vehicles from city streets. Our objective was to determine if current practices were consistent with the Administration's endeavors to comply with the applicable ordinance in an orderly and economic manner.

SCOPE AND METHODOLOGY

Fieldwork was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.55 of the Internal Audit Office's Operating Instructions Manual. Our review was limited to evaluating the general controls surrounding the specific issues addressed. We reviewed pertinent documents depicting vehicle removal actions during the period from July 2003 through July 2004 and held discussions with operating personnel, as necessary, consistent with our objective.

BACKGROUND

Pursuant to Section 38-111(4)(a)(3) of the Code of Ordinances of the City of Shreveport, certain non-operating motor vehicles found abandoned or otherwise in violation of the cited statute may be removed from their location at the direction of Administration officials. When such actions take place, the property owner (where the vehicle is seized) may become responsible for the associated costs of towing.

Our work resulted from an allegation received on the *Fraud Hotline* citing improprieties in the accounting for towing fees collected.

We wish to express our appreciation to Code Enforcement Bureau personnel for their assistance during the course of our fieldwork.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

Review of pertinent documents and discussions with operating personnel indicated that the allegation presented could not be substantiated. However, we noted weaknesses that require management's attention, as follows:

- Review of vehicle towing activities during the period from January 2003 to July 22, 2004 showed that towing fees from contractors had resulted in public fund expenditures totaling \$32,210 while related recoupments totaled only \$3,080. No formal measures were in place to actively pursue recoupment of costs incurred. Currently, violators are simply notified by mail of charges assessed.
- Management personnel were generally uninformed regarding towing operation costs and related recoupment actions.
- We were unable to accurately determine the disposition or status of assessment and recoupment actions prior to July 2003. No historical documents were available for review to accurately assess the efficiency and effectiveness of previous activities.

1. Ineffective Towing Cost Recoupment Efforts

Criteria: Good management practice and budgetary constraints require that efforts be established to recoup the expenditure of public funds whenever practical and feasible.

Condition: There was no collection program in place to effectively recoup vehicle towing expenses incurred. Review of towing activities for the period from January 2003 through July 22, 2004 showed that the removal of abandoned vehicles had resulted in expenditures to the City totaling \$32,210. Conversely, related documents showed the recoupment of \$3,080 (9.6%) for the same period. Following removal of abandoned vehicles, property owners are simply notified by mail of charges assessed. There was no evidence of further collection efforts following the notifications.

Effect:

- Improper application of public funds.
- Potential for deviation from established budgetary constraints.
- Rising operational costs.
- Loss of visibility over operational expenditures.

Cause: Lack of assignment of responsibility for operational requirements.

Recommendation: The Interim Director, Community Development Department, should take appropriate action to develop and implement viable guidelines to assist in the recoupment of operational expenses incurred in enforcing the applicable ordinance whenever possible. Consideration should be given to assigning responsibility to a designated office or individual for the

collection of delinquent accounts. In addition, management officials should coordinate with the Finance Department's Revenue Division the implementation of viable follow-up collection efforts on delinquent accounts.

Management Plan of Action: A staff person has already been assigned to provide accounting with a Property Standards Billing Register from the Permits Plus System from February 2003 to the present; and thereafter, on a monthly basis. This will document payment for towing services provided by Code Enforcement. The following measures are being considered to recoup these funds:

- a. Presently, the Mayor's Office and Finance are examining the feasibility of contracting with a collection agency to recoup delinquent bills;
- b. The Finance Department will generate monthly reports reflecting the amount of money received and owed from the delinquent bills.

Timetable: Responsibility and coordination with Finance assigned. Not sure regarding a collection agency.

2. Unreliable Historical Data

Criteria: Ideally, departmental files contain precise data regarding prior operational expenditures and related recoupments. Besides enabling management to determine disposition actions on previous cases, such data can be useful to management in evaluating historical trends.

Condition: Records (towing invoices, billing receipts, etc.) maintained by Code Enforcement Bureau personnel did not adequately account for disposition actions and/or the status of related operations prior to July 2003. As a result, the Bureau's ability to accurately ascertain the propriety of applicable accounts receivable data was questionable.

Effect:

- Exposure to fraud, waste, and abuse.
- Inability to determine results and/or effectiveness of prior operations.

Cause: Inadequate administration and maintenance of historical records.

Recommendation: The Interim Director, Community Development Department, should take the necessary action to ensure that Code Enforcement Bureau personnel retain and maintain accurate historical data on expenditures resulting from vehicle removal actions.

Management Plan of Action: This deficiency was identified internally by Code Enforcement staff

in February 2003. The following measures were implemented to ensure the accuracy of the data being kept as it relates to the removal of vehicles (See Attachment A - Policy):

- An inspection is made to see if the vehicle is in violation of a city ordinance; and if so, the vehicle is tagged and a picture showing the tag is taken;
- A certified letter is sent to the property owner informing them of their violation of a city ordinance and that they have 10 days to comply;
- The Inspector visits each home and informs the property owner that the vehicle is scheduled for towing within 24 hours;
- A listing of vehicles to be towed the next day is faxed to the towing company;
- Once the vehicle is towed, this information is given to the Finance Department and a bill is generated and mailed to the owner of the property. At the time the property owner pays the fee, it is reflected in a daily accounts receivable entry into FAMIS and becomes part of the Code Enforcement budget for future use. The applicable staff is notified that the funds have been placed into the account.

Timetable: In effect.

3. Management Uninformed Regarding Expenditures Incurred

Criteria: To remain abreast of established departmental goals and objectives, management officials must remain informed on current operational expenditures, actions, and related recoupments.

Condition: Discussions with responsible officials indicated that expenditures associated with the removal of abandoned vehicles occurred as needed. However, the latter were not fully informed regarding related expenditures or procedures necessary to actively pursue reimbursement from violators.

Effect:

- Inability to accurately determine if current operations are consistent with established goals and objectives.
- Possible forfeiture of otherwise recoupable funds.
- Loss of visibility over daily operations.

Cause: Administrative oversight.

Recommendation: The Interim Director, Community Development Department, should ensure that responsible management officials are kept informed, via periodic reports, etc., as to current expenditures and recoupment activities regarding the removal of abandoned vehicles.

Management Plan of Action: The applicable staff receives monthly reports reflecting the following (see Attachment B):

- the number of vehicles cited and tagged;
- the number of vehicles removed;
- the amount of money paid to the contract for towing of these vehicles;
- the amount of money recovered from towing fees.

Timetable: In effect now.

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c: Mayor
CAO
City Attorney
Clerk of Council
External Auditor
Director of Finance
Interim Director, Community Development Department
Chief, Code Enforcement Bureau

ATTACHMENT A
ATTACHMENT B